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EUROPE

1. YUGOSLAVIA: Formal request for US aid to be made--US
Ambassador Allen in Belgrade reports that, in a discussion of Yugoslavia's food requirements, Tito agreed that Yugoslavia should make a formal request for US aid to alleviate the growing Yugoslav food shortage. In connection with the long-range problem of obtaining a loan to continue Yugoslavia's major industrialization program, Tito said he felt confident that a compromise could be reached between the international agency considering the loan and the Yugoslav Government. Allen comments that Tito showed little surprise and no resentment at Allen's statement that \$400 million additional credits was much larger than Yugoslavia could repay. On the basis of this interview, which was friendly throughout, Allen says he is "inclined to think" that Tito is now favoring the more moderate elements in his government.

FAR EAST

2. Possible Chinese Communist intervention in Korea--According
to US Embassy Hague, the Netherlands Government has been informed by its Charge in Peiping that "reliable sources" have stated that four divisions of unidentified troops, presumed to be Chinese, have crossed the Manchurian border into North Korea.

(CIA Comment: There have been numerous reports during recent weeks regarding four Chinese Communist units (variously identified as Armies and Divisions) which are alleged to have crossed into Korea from Manchuria, and the Netherlands Charge's report may be a repetition of these earlier claims. CIA continues to believe that the Chinese Communists, while continuing to assist the North Koreans, probably will not intervene openly in the present fighting in Korea.)

- 1 -

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STATE review(s) completed.

T O P S E C R E T

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3. INDOCHINA: French Socialists divided over Indochina policy--
US Minister Bohlen in Paris reports that although there is no disunity among French Socialists on the necessity of continuing the struggle against Communism in Indochina, there is a difference among party leaders as to how the Indochina problem should be cleared up. According to Bohlen, a majority of the party leaders believe that taking the problem to the Security Council would almost constitute an invitation to the Chinese Communists to assume an even more active role in Indochina. On the other hand, Secretary General Mollet is reported to be so convinced of the long-term weakness of the French position in Indochina that he is ready to "dump not only the military but the civil problem into the lap of the United Nations." Bohlen adds that the Socialists are also divided on the wisdom of appealing for US troops now, but such assistance would probably be desired in event of an invasion of Indochina by the Chinese Communists.

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French evacuation plans--In a conversation with US Minister Heath in Saigon, French High Commissioner Pignon stated that he was not yet "worried" about the Tonkin delta region (the main French area of control in North Vietnam), but he admitted that plans for the evacuation of the civilian population had been prepared. In Pignon's opinion, the danger was not "immediate" and French troops could hold the area with "accelerated aid." [REDACTED]

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[REDACTED] although the French position in the delta area could normally be held, it is now completely open to "undermining from behind the lines." [REDACTED] with the exception of French sympathizers, the population is in general "cautiously pleased" by the recent French military reverses, and comments that the local attitude of "wait and see" can change overnight.

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THE AMERICAS

5. BRAZIL: Cooperation with US may lessen--US Embassy
Rio de Janeiro transmits a public statement by Getulio Vargas (former dictator of Brazil who now has a substantial lead in the balloting for president) that "his government will be of a laborist orientation, like that of England and the Scandinavian countries," and evolutionary in character. Vargas expressed confidence that the present government would fulfill its promise of a normal transfer of public power. Vargas promised "more intimate and closer collaboration with the nations of our Hemisphere"; he also stated that while favoring entry of foreign investments generally, he opposed foreign capital investment in sectors which could be covered by local capital or which must be controlled by the nation.

(CIA Comment: Vargas now leads his nearest opponent by 1.2 million votes, with 75 percent of the estimated ballots tabulated. Vargas will probably be the next President of Brazil, and although he will not be openly hostile to the US, his extreme nationalism may reduce somewhat Brazil's close cooperation with the US.)

- 4 -

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